
Iowa Legislative Fiscal Bureau

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Iowa Lottery

ISSUE

Lottery profits for FY 1993 could be as high as \$45.5 million, or \$16.7 (58.0%) higher than projected by the Lottery Division of the Department of Revenue and Finance (DRF) in November of 1992.

AFFECTED AGENCIES

Lottery Division of the DRF

CODE AUTHORITY

Chapter 99E, Code of Iowa

BACKGROUND

The Iowa Lottery was created by the 1985 General Assembly. The original legislation directed that Lottery profits be deposited to dedicated funds and used for the purpose of economic development. The 1990 General Assembly amended the law, directing that Lottery profits be placed in the Committing the Lottery to the Environment, Agriculture, and Natural Resources (CLEAN) Fund. The 1991, 1992, and 1993 General Assemblies have notwithstanding the CLEAN Fund provisions, and have directed that the majority of the Lottery profits be deposited to the General Fund.

As part of its annual budget request package, the Lottery Division projects Lottery sales, expenses, and profits for the current and the next fiscal year. For the purpose of revenue estimation, those projections are used to develop the amount of revenue available in the General Fund for appropriation by the Governor and General Assembly.

CURRENT SITUATION

For the first 10 months of FY 1993, Lottery sales and interest total \$161.0 million, while transfers to the State General Fund total \$39.0 million. Both amounts represent records for the first 10 months of a fiscal year. For FY 1993, Legislative Fiscal Bureau (LFB) projections indicate Lottery sales should reach \$185.0 million (not including sales tax), while Lottery profits transferred to the General Fund are projected to total \$45.5 million. As the attached chart indicates, the projections of Lottery profits provided by the Lottery Division in November

(FY 1988-93) of a given fiscal year have averaged 21.4% below the year's actual profits. The November projections proved to be within 5.0% of actual only once, and actual profits are projected to be as much as 58.0% above the November estimate for FY 1993.

ALTERNATIVES

The Legislature should consider revising the method used to estimate the amount of Lottery profits to be received each fiscal year.

BUDGET IMPACT

The \$45.5 million Lottery profits for FY 1993 represent 1.2% of total revenue to the General Fund. While a certain amount of fluctuations in Lottery sales and revenue should be expected, large variances in the amount of General Fund revenue available from the Lottery adds uncertainty to the overall budgeting process. For FY 1993, the approximately \$16.7 million in additional Lottery profits represents 0.4% of overall General Fund receipts. The current estimate of Lottery profits for FY 1994 is \$33.3 million, or \$12.2 million (26.8%) below the projected FY 1993 level.

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Lottery Profits - Projections vs Actual
(in millions)

